

**State of Alabama Office of the Treasurer
Linked Deposit Program for Emergency Borrowers
Program Procedures for Financial Institutions
November 2011**

Purpose:

These procedures establish general guidelines for participation in the Linked Deposit Program for Emergency Borrowers. Neither the Treasurer, his staff, nor the State of Alabama is a lender in linked deposit transactions. All lending decisions, including determining the creditworthiness of the Emergency Borrower, rest solely with the lending institution.

Definitions:

1. Deposit – bank deposits discretionarily made by the Treasurer in support of loans made by Lending Institutions to Emergency Borrowers.
2. Emergency Borrower – any individual, business, organization or local government that has suffered loss, and is located in areas where property loss has occurred due to fire, flood, tornado, hurricane, or other act of God, or other natural or man-made disaster.
3. Lending Institution – a bank or savings institution organized and existing under the laws of the State of Alabama, any other state of the United States, or the United States that is authorized pursuant to the laws of this state or the United States to conduct, and is conducting, the business of making loans and taking deposits in this state; and is an active member of the SAFE Program designated as a qualified public depository; and is an approved state depository.
4. Program – the linked deposit program described in Title 41, Chapter 14, Code of Alabama, 1975.

Program Timeframe:

The Program will be open until April 30, 2012, or until the full amount of allocated monies, \$25 million, have been deposited in Lending Institutions, whichever occurs first.

Characteristics of Deposit:

1. Term: The initial term of the Deposit shall be two (2) years.
 - a. The linked deposit may be renewed for three (3) additional two-year terms at the option of the Treasurer for a total duration of eight (8) years.
 - b. The Deposit will be returned to the Treasury at the earliest of (1) full repayment of the linked deposit loan; or (2) expiration of the linked deposit. No partial payments by the Lending Institution are allowed.
2. Rate: The fixed rate of the Deposit shall be 1%. The Lending Institution sets the interest rate on the loan to the borrower at a fixed rate not more than 4% greater than the interest rate on the linked deposit.
3. Interest Calculation: Interest on the Deposit shall be calculated on a 30/360 day basis, and paid by the Lending Institution monthly. Interest will be collected through the ACH

system on the last business day of the month. The Treasury shall debit a deposit account or general ledger account designated by the Lending Institution.

4. Amount: The maximum amount of a Deposit is \$750,000. The minimum amount of a Deposit is \$1,000. Deposit amounts will be made in increments of \$1,000. The Treasurer may Deposit less than the requested amount depending on availability.
5. Collateralization: The Lending Institution shall secure the Deposit under the SAFE Program.
6. The Deposit is not transferable between borrowers or Lending Institutions.
7. The Deposit may be returned to the Treasury prior to its term expiration in whole. No partial payments are allowed.
8. Concentration. The amount of Deposits held in each Lending Institution will be monitored to avoid a concentration in any one Lending Institution.

Eligibility of Borrower:

The Lending Institution will determine if the borrower meets the definition of Emergency Borrower. Deposits in support of loans due to losses that occurred from April 2010 – April 2011 will be eligible.

Loan Linked Deposit Requirements:

1. One Deposit per Emergency Borrower. A borrower is only entitled to the benefit of one Deposit. A borrower may not hold more than one loan for which a Deposit has been placed at any Lending Institution.
2. Variable Rate Loans. If a variable rate loan, the maximum interest rate on the loan must be 5%.
3. Loan and Deposit Terms. The linked loan and Deposit may have different terms. The loan terms are negotiated between the borrower and Lending Institution. The Deposit terms are set by the Treasurer and accepted by the Lending Institution. An example of differing terms would be interest payment frequency. The linked loan may have interest payable at maturity; whereas, the Deposit interest will be paid monthly.
4. Disbursement and Receipt. All Deposits and interest will be electronically disbursed and received through Treasury.
5. Interest. Interest on Deposits will be paid monthly.
6. Use. The Deposit will not be made in support of a loan for the purpose of construction, leasing, rental, real estate investment, other than for owner-occupied business premises of the borrower, or for the purpose of speculation.
7. Fees. No fee or service charge may be charged to the borrower for placing the loan in the Program. Bank fees charged in the normal course of business are allowed.

Request, Receipt and Return of Deposit:

1. An Emergency Borrower will request a loan from a Lending Institution through the normal lending process. The Treasurer, his staff or the State of Alabama is not involved in the borrower application and qualification process.
2. If the Lending Institution approves the loan request by the borrower, the institution will determine if the loan meets the requirements of the Program.

3. The Lending Institution will complete and fax (334-242-4242) a deposit request application to the Office of State Treasurer.
4. By the end of day, Treasury shall notify the Lending Institution of the availability, rate, and term of Deposit. The Treasurer may deposit less than the requested amount depending on availability.
5. If approved, deposit funds will be wire transferred.
6. Interest will be automatically withdrawn the last business day of the month from the deposit account or general ledger account the Lending Institution designates.
7. The Deposit will be returned by wire to the Treasurer at the earliest of (1) repayment of the loan; or (2) expiration of the Deposit.

Contact Information:

The Cash Management Division of the Treasurer's Office will operate the Program. Lending Institutions may contact:

Primary Contact: Roman McLeod

Phone: (334) 242-7547

Fax: (334) 242-4242

Email: roman.mcleod@treasury.alabama.gov

Secondary Contact: Saketa Wilkerson

Phone: (334) 242-4491

Fax: (334) 242-4242

Email: saketa.wilkerson@treasury.alabama.gov